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Mr. Ralph L. Clark
Manager, Washington Office
Stanford Research Institute
Washington 5, D. C.

Dear Ralph:

I appreciate your thoughtfulness in forwarding to me the suggested project for the study of Soviet economic aid to the uncommitted world that was enclosed in your letter of 9 January 1958. We are deeply concerned with this cold war offensive by the Bloc and have been providing substantial intelligence on the subject.

Since Office and the EIC have been furnishing this support on a regular basis for two years or more, I am sure that it will be mutually advantageous for the two of you to discuss our current research in this field, particularly in the light of the concern expressed by the Institute. I understand that Otto is already in touch with you.

Sincerely,

Allen W. Dulles
Director

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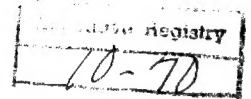
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(24 January 1958)

Deputy Director/Intelligence

JAN 25 1958



STANFORD RESEARCH INSTITUTE

WASHINGTON OFFICE

SUITE 308, 711 FOURTEENTH STREET, N.W., WASHINGTON 5, D.C.

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January 9, 1958

Mr. Allen Dulles
2430 E Street, N. W.
Washington, D. C.

Dear Allen:

In accordance with your invitation that we forward any ideas we may have which could be useful, I am transmitting the attached draft of a possible project. The Institute, through its work for the International Cooperation Administration, Ford Foundation, and other overseas organizations, has a keen interest and considerable understanding of the economic and industrial problems of many countries outside the Soviet Orbit. We feel that a project such as that outlined by the enclosure would be a most useful complement to the work that Otto's office does on the Orbit.

In our contacts with many leaders of business and finance in New York who have recently expressed concern on this score, Mr. Lilienthal was particularly strong in his feeling that the United States needed a better understanding of the competition we are facing in the struggle for the uncommitted world.

If we could be of any help on this score, I would be glad to discuss it further with you, Bob or Otto.

Sincerely,

Ralph L. Clark
Manager
Washington Office

RLC/js
Enclosure



STANFORD RESEARCH INSTITUTE

WASHINGTON OFFICE

SUITE 308, 711 FOURTEENTH STREET, N.W., WASHINGTON 5, D.C.

January 8, 1958

Possible Project for RESEARCH ON SOVIET ECONOMIC AID TO THE UNCOMMITTED WORLD

In the past several years Soviet bloc economic penetration into uncommitted areas has been stepped up very greatly. It has been undertaken especially in the Middle East, while to a somewhat lesser extent in South and Southeast Asia. Latin America has become a target and activities in Africa must be expected to increase sharply.

Soviet bloc economic aid has thus become an important weapon in the cold war, and is likely to become more important still. Many well-informed people are generally aware of its importance and have a concept that it is sizable and widespread. They also know, from reports on a few specific instances, like the Soviet road program in Afghanistan, that Soviet aid is a far more serious threat than simply as a propaganda weapon. Yet we know of no comprehensive analysis of Soviet economic aid which details its amount, techniques and performance as a whole and which analyzes its global impact on U. S. stature.

Stanford Research Institute has been aware of this lack, and has given some consideration to the need for filling it. Specifically, Mr. David Lilienthal has recently encouraged the Institute to undertake a project analyzing Soviet aid within the scope of its International Industrial Development Center and as part of the follow-up to the highly successful International Industrial Development Conference recently co-sponsored with Time-Life International. Mr. Lilienthal felt strongly that such an analysis is badly needed to create a better awareness of the competition we are facing in the struggle for the uncommitted world.

At present the only known project in process to study this general subject in any comprehensive manner is in process at the National Planning Association. It is a study of the "Economics of Competitive

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Coexistence." While this should provide an excellent overall evaluation of the field, it has necessarily been limited in both geographic and substantive scope, and will be completed during 1958. Further work is needed to build on the beginning being established at NPA.

The Soviets have several distinct advantages in foreign economic aid competition which need to be assessed:

1. A well-exploited dissociation from the historical background of "colonial exploitation," especially in the Middle East and South Asia. While the U. S. is also dissociated, it is, as part of the "West," identified in popular imagery in these areas as related to the old system. The encouragement of private foreign investment as a matter of policy--a technique used by the British in colonial days--serves to strengthen local fears and suspicions of our motivations.

2. The absence of problems of Congressional relations and fiscal limitations.

3. The experience of having industrialized from a low level recently and quickly. Soviet approaches frequently seem more relevant to Asian problems than ours because of this factor. It probably has been strengthened by the added intellectual and scientific prestige gained recently by the Soviets.

4. Soviet administrators may not exhibit the gap in living standards between themselves and local populations to the same degree American personnel do. Hence, they may more readily identify themselves with local aspirations and problems.

A study of Soviet aid, primarily from the standpoint of recipient countries, should inform us how effectively these and other advantages have been used. Moreover, it may allow us to define more sharply, and thus use to better effect, offsetting advantages we possess. Further, an analysis of actual Soviet performance in aid activities should give us much better answers to questions such as the following:

1. How much are the Soviets committed to long-range economic aid programs, and to what extent are their activities primarily of short-term character, directed to propaganda purposes?

2. Are they effectively committing substantial domestic resources and personnel to these programs? Have they elaborated sizable programs of research and training for this purpose?

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3. What has their performance been to date in specific projects as compared to their commitments and our performance?

4. Can we identify areas (both geographic and by subject) where Soviet aid is more of a threat than elsewhere, and/or where future programs are likely to concentrate?

5. Can we identify situations where Soviet aid failures may occur and where, in the resulting disenchantment, we may have extraordinary opportunity to reap gains through well-conceived crash programs?

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